

Commission Meeting Minutes

APPROVED

Location of Meeting:

Red Lion Hotel SeaTac
18220 International Blvd.
Seattle, WA 98188
(206) 246-5535

Date and Time of Meeting

Thursday, June 12, 2014
9:30 a.m.

✓ **Indicates Commissioners and Ex Officio Members Present.**

Commissioners

- ✓ Mike Amos, Chair
- ✓ Kelsey Gray, Ph.D.
- ✓ Chris Stearns
- ✓ Julia Patterson
- ✓ Bud Sizemore

Ex Officio Members

Senator Steve Conway
✓ Senator Mike Hewitt
✓ Representative Christopher Hurst
Representative Bruce Chandler

Staff

David Trujillo, Director
Mark Harris, Assistant Director – Field Operations
Tina Griffin, Assistant Director – Licensing Operations
Julie Lies, Assistant Director – Tribal & Technical Gambling
Amy Hunter, Administrator – Communications & Legal
Callie Castillo, Assistant Attorney General
Michelle Rancour, Executive Assistant

- PUBLIC MEETING -

1. Monthly Report/Opening Remarks

David Trujillo, Director

2. Special Budget & Funding Discussion

Mike Amos, Commission Chair

- Goals:
 - > Provide an opportunity for Commissioners and ex officio members to talk with each other and staff about the Commission's budget and funding structure.
 - > Determine if any options for future funding requires agency request legislation.

Director Trujillo and Administrator Amy Hunter presented two PowerPoints; the first outlined the Commission's revenue and expenditures. Throughout the presentation, the Commissioners asked questions and discussed the Commission's budget and funding structure.

Senator Mike Hewitt commented that he was impressed by the accuracy of the revenue model. He commented that staff has made the types of changes that were needed to (for example, taking advantage of technology, etc).

Representative Christopher Hurst had many comments about the importance of keeping our eye on criminal activities and the importance this has for the citizens of the state overall. He expressed concerns about “free” on-line gambling sites, which seem to be targeting kids and the corruption with on-line poker.

- Staff Presentations, in response to May Work Session Discussion:
 - a) Budget – Expenses, Revenues & Process

Director Trujillo and Administrator Amy Hunter presented a second PowerPoint, which included a preview of the 15-17 biennium budget, which staff will be asking the Commissioners to approve at their August meeting.

- b) Budgeting Options

Commissioner Patterson made a motion, which was seconded by Commissioner Stearns to do the following. Motion approved: 5:0

1. Begin the rulemaking process for a fee increase. At the July meeting, staff will have rules on their agenda (for filing) with two options:
 - a) 6% increase
 - b) 4% increase this year & 2% the following year
2. Aggressively pursue legislative options to include decision packages to fund several law enforcement positions, including Criminal Intelligence and Undercover positions from the general fund. Have staff prepare a strategy for approaching the legislature.
3. Request reimbursement of part of the \$4.95 million the legislature transferred from the gambling revolving account between FY02 and FY04. There was some acknowledgement and discussion that this was a bit of a long shot, but worth exploring more.

Staff will continue to look at efficiency options, including the pros and cons of the ideas that have been suggested by staff and licensees.

3. Other Business/General Discussion/Comments from the Public

Mr. Victor Mena, President, Recreational Gaming Association and Chief Operating Officer for Washington Gold Casinos, commented this was the first time that he’d ever witnessed this level of analysis on this agency for the public to review. He applauded the efforts, and said he thought it was great, and it was also great to see the insightful questions being asked. Mr. Mena also commented on the decreasing number of house-banked card rooms and the potential impact from the Healthcare Act. The impact when it is enacted in January 2015 would result in each

card room taking a \$5,000 to \$10,000 per month impact cost-wise on healthcare benefits. That will probably shutter another larger chunk of card rooms. He thought the Commission should keep in mind how quickly a card room can close. Mr. Mena also mentioned the modernization of the pull-tab industry, and that 87 percent of the general public accepts gambling as an accepted form of entertainment across the country.

Mr. Ric Newgard, Bingo Manager of Seattle Junior Hockey, Washington Charitable Civic Gaming Association commented, his organization holds one of the top bingo licenses, pull-tab license and raffle license in the state. The license fees are north of \$20,000 a year. He knew there were some manufacturers outside of the state doing huge volumes in the state that pay pennies compared to what he was paying. He was excited to maybe see some restructuring.

At the same time he had been coming to these rooms for 25 years. There was a lot of expertise in this room, a lot of people who have been in this industry for a long time. He thought it would be nice if the audience could get involved in the conversation to maybe bounce some ideas around, and have some input, and that was why he came to these meetings, to be involved.

He stated, "For me it's all about the kids. I'm involved with youth hockey. Every dime I make goes to five or six year olds up to 18 year olds just to get on the ice. It's near and dear to my heart. The more money I can make for those parents and the kids the better off our community is. That's why we sit in these rooms for hours." If we, as licensees, can be involved in the future, he would surely like to participate in that. He really appreciated the discussion today.

Pull-tabs are old school, and we are dealing with baby boomers, and the younger generation. It was just like playing Monopoly versus playing a Game Boy. They want the speed, they want the excitement, and they want the flashing. We are competing with a dinosaur in a whole new world. Pull-tabs are still popular, but the people that it's popular with are fading away.

On that electronic bingo question, the issue had been visited three times. He commented that he had been in front of the Legislature with three different pieces of legislation; never got them out of Commerce and Labor, for lack of a hearing. We've been there trying to get those before, and licensees just don't have the money to spend on that kind of activity, even though he had spent a lot of time on that issue.

Mr. Monty Harmon, CEO of Evergreen Gaming, stated they operated four card rooms in the state. He understood staff was looking for a short term solution, and those funds would be coming from the general fund, as he understands it. Governor Inslee's directives as far as his priorities are education and business. Gambling is really not in there. He thought it was interesting that an agency that is involved in an industry that had been expanding cannot fund itself. And that was the question in the room; how can there be an activity that was growing and an agency that's shrinking, that needs to be proactive, and that's been

nationally recognized as a proactive agency. And we're looking for efficiencies in an expanding industry.

As a former staff member of the Commission, he believed in having gambling in a regulated environment. He commented that as he understood it, but in the tribal industry area, the Commission monitors tribal activity. It is not regulated; staff doesn't have a direct influence in it. And as a Commission, he would challenge staff with that thought. And as staff move forward to the legislature, he wished them all the blessings in the world going forward with their request. But again, there's an industry that's expanding, an agency that's begging for help.

Ms. Dolores Chiechi, with the Recreational Gaming Association, echoed the comments applauding the Commission and the staff for having this open dialogue and allowing the public to be part of it. It was a little concerning that the public were part of it after the Commission had voted on their decision. That would have been nice to have some input. Maybe it would have changed that decision, or a motion would have come up differently.

With that said, as far as the statute change to allow for electronic gambling, that was the elephant in the middle of the room. And there's nothing to say that this Commission couldn't take a proactive approach in asking the legislature to take a look at that. But this Commission has always been very wary, know your role, please sir may I have another, is kind of the message that's been delivered from the legislature to this Commission. However again, this Commission has never been more thoughtful and more intellectually engaged. Ms. Chiechi had been attending these meetings for almost 20 years, and encouraged that to continue.

Ms Chiechi mentioned that leadership was presenting staff with some options that will fill the hole for the moment. But she thought from the public perspective, we've sort of seen the writing on the wall for the last 10 years. We are hopeful that in August we might be afforded the opportunity to present to Commissioners and staff some of the studies that they had produced that said if something were not allowed for our industry, that industry would expire. It was inevitable. The players that want to play paper cards, paper pull-tabs, are dying off. Just like the bingo folks, they are just not as interested in playing paper daubers and paper pull-tabs.

As far as going forward, there are many things in the statute that probably shouldn't even be there anymore. As mentioned before, why not take a look at that statute and decide what the Commission should not be in the business of regulating any longer, and decide where those items should be passed off to some other agency, local government, and law enforcement. Everybody is strapped for cash and creating some new ideas and visionary concepts for how to get forward.

This Commission has the opportunity to take a leadership role, be proactive, not reactive, and create something that is going to carry forward and beyond. She said she may not be here because her industry may have 10 clubs left, and they all have 10 lobbyists that come

here and present 10 different points of view. It's an interesting dialogue, and she encouraged it to continue. She would welcome the opportunity to meet with staff and talk about some efficiency that could help the industry with the expense side. And we're hoping some of those ideas might come forward before the Commission to have those conversations.

We offer ourselves as a resource. As Mr. Newgard said, he's been in the room for 20 plus years. Many of my members have been in the room for as long, and have been in the industry since this Commission has been created. So we welcome the opportunity to sit down and engage in these dialogues. We appreciate your time and thoughtfulness on it all.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

4. Executive Session to Discuss Pending Investigations, Tribal Negotiations, and Litigation

There was no Executive session held at this meeting.

5. Adjourned: 3:00 p.m.